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Conflicts and social capital and economic development in Latin America

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ABSTRACT:

This study aims to discuss the economical behavior of Latin America, considering the importance of the attributes directly related to social capital (interpersonal trust, which leads to association and civic commitment, resulting in what Putnam calls 'civic community') *pari passu* governance, ie the formal attributes related to the behavior of economic agents in the presence of the state, which make up a 'backdrop' for the establishment of social, political and economic relations. Together, these two dimensions can explain the economic behavior of conflict or cooperation in different countries. This is because the rational economic decision of cooperating or not is related to two factors: (1) the expected behavior of other agents ('I cooperate if and just if I hope the others will cooperate with me') and (2) the existence of standards, patterns or rules that prevent or hinder opportunism (otherwise the cooperative behavior would seem a 'fool's choice'). The key question when added together the two dimensions is predictability. In other words, understanding the formal and informal 'rules of the game' and the reluctance in facing the penalties imposed in cases of wrongful conduct. The expected behavior of other agents depends on the trust relationships that are established between them. The more 'general trust' is (replacing the purely interpersonal attributes), it is expected more cooperation. The 'generalized trust' occurs when one recognizes itself in the other or when others are part of 'my group'. Hence the importance of activities that brings together a large and different number of people and groups, named 'bridging' associations, which allow the inter-relationship between 'different' individuals. The more social capital is reflected in the amount of cross-cutting relationships; bigger will be the advantages of economic environment. The lack of confidence or associative participation leads to a 'social isolationism' that is characteristic of places and countries where economic or social fragmentation can be find. This situation can lead to positive results that are appropriated by some groups in private but not by all the collectivity. Conflict occurs when different interests collide: either because they are isolated benefits or privately appropriated ones, gathered in the expense of others groups; or because the benefits are not extended to everybody because of the context of institutional weakness. Using quantitative analysis this paper analyses correlations between social capital and growth in Latin America as well as between GDP per capita and institutional conditions (political and civil liberties, property rights, stability of political power, judicial independence and the rule of law).

KEYWORDS: social capital, economic development, conflict, cooperation.

JEL CLASSIFICATION: O17; O43; O57.

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CONFLICTS AND SOCIAL CAPITAL AND ECONOMIC DEVELOPMENT IN LATIN AMERICA

Paula Regina de Jesus Pinsetta PAVARINA

Traditional factors of production, whether or not combined, in some circumstances are not sufficient to explain the progress of one economy, and then it is necessary to investigate the influence of social, political, civic, and cultural conditions or constraints to economic growth and development. A tangle of complex relationships between people generates and modifies the conditions of development of the economic activities. To this set of relationships contemporarily is given the name of 'social capital'.

This study aims to discuss the economical behavior of Latin America, considering the importance of the attributes directly related to social capital – interpersonal trust, which leads to association and civic commitment, resulting in what Robert Putnam (1993) calls 'civic community' – *pari passu* governance, ie the formal attributes related to the behavior of economic agents in the presence of the state, which make up a 'backdrop' for the establishment of social, political and economic relations. Together, these two dimensions can explain the economical behavior of conflict or cooperation in different countries and the affect the economic growth and development of this region.

1. Social Capital

The contemporary understanding of social capital derives from some publications in Political Science and Sociology. For several decades the impacts of political and social variables were left out of Economics Theory and only around the 1990s the legal, social, political, and cultural interactions were incorporated into Development Theory. Recent scientific interest is related to the diffusion of the papers and books of James Coleman (1988; 1990) and Robert Putnam (1993), which amplifies and completes the ideas of the former.

The importance of social aspects in Economics is increasing, not only in Academy, but also in development and financial agencies such as the World Bank, the Inter-American Development Bank (IDB), the Economic Commission for Latin America and the Caribbean (ECLAC) and the United Nations Development Programme (UNDP).

Putnam (1993) presents the results of nearly twenty years of observations about the unequal economic conditions between the 'northern' and 'southern' Italy, investigating possible explanations to that. Conduces the reader though a synthesis of Italy unification process and the contemporary consequences of the unequal conditions that were established centuries before and confirms the positive effects of 'civic community' on economic activity. Putnam considers the 'civic community' as a 'bundle of virtues' that includes placements beyond the simple pursuit of individual interests, and is stated as (1) civic participation; (2) political equality; (3) solidarity, trust and tolerance; and (4) associational life, a summary of what is called social capital. Then, the author considers social capital as "[...] features of social organization, such as trust, norms, and networks, that can improve the efficiency of society by facilitating coordinated actions" (Putnam, 1993:167).

Woolcock and Narayan (2000) describe what would be an 'evolution' of social capital. They depart from the *communitarian* to the *networks view*, and then amplify it to an *institutional* approach and present their own understanding, reflected in the *synergy view*.

Putnam's conception of social capital includes social organization in horizontal groups, ie, the *communitarian view* is restricted to the relational aspects that are established between individuals, to rules of behavior – and the values behind them – as well as to interpersonal obligations and information channels that promote cooperative actions at a community or locality.

The bonds that are established between individuals, according to Putnam, would be between 'equals' or *bonding ties*. They correspond to the engagement with the purpose of association between individuals with similar characteristics and that can therefore take advantage of the reunion in a single group. On the other hand there are the *bridging ties*, which considers the relationships between individuals from different groups, and ties that link groups with different political, social, economic and historical structures, encouraging contact with different realities.

The *networks view* highlights the importance of horizontal and vertical associations, which would bring more freedoms and opportunities to individuals through *bonding* and *bridging ties*, ie intra–and extra communitarian groups. Coleman (1988, 1990) is an author who contemplates this kind of social capital, once he considers these vertical associations in his analysis, that are characterized by hierarchical relationships and unequal distribution of power among members.

Equally important is the *institutional view*, which stresses that the vitality of social relations is related to the institutional framework – political, legal, and social – in which relationships are established. This third dimension considers social capital as the dependent variable, being dictated by institutional behavior. Then it is necessary to rescue the concept proposed by North (1990:3) to whom institutions are “[...] the rule of the game in a society or, more formally, the humanly devised constraints that shape human interaction. In consequence they structure incentives in human exchange, whether political, social, or economic.” Instead of being perfect, this approach excludes people and considers only institutions, ie, disregarding the personal decisions and value judgments that people set. There could be a sort of *crowding out*, in reinforcing the importance of formal institutions, especially focused on the rule of the state, taking out the influence of civil society of issues related to development.

Finally, there is the *synergy view*: the relevance and feedback between institutional environment and networks, in a complementarity way whereby one side complements the other as if there was a natural ‘division of labor’ between public and private sectors increasing the *embeddedness* between them (Woolcock and Narayan 2000).

The *synergy view* brings together communitarian capacity *pari passu* institutions related to state. The underlying assumption is that the structures, rules, and regulations established by the state, through institutions and political system, constantly interact with the dynamics of social organization, either horizontally or vertically, being constantly affected by it and affecting it in the same manner. Social capital would be the product of the positive relationship between civil society and state. Formal institutions also require involvement and social commitment, otherwise it is useless to have an ‘institutional void’: rules are not followed, the existence or prevalence of corruption to circumvent what was pre-established and situations where it is common the presence of *free-riders*.

The social capital definition as stated by Woolcock and Narayan (2000) orbits, therefore, around the definition proposed by Putnam. But as an addition to purely social attributes that are described by the latest, there would be place to the incorporation of what Woolcock (2001:69) calls “[...] more individualistic behavioral dispositions (such as trust, reciprocity, social skills)” as well as other “[...] macro institutional quality measures (‘rule of law,’ ‘contract enforceability,’ ‘civil liberties,’ etc.). Also Iyer et al. (2005) include these issues in their definition of social capital, adding others such as trust, civic responsibility (p.1016), respect to government and political liberties (p.1017).

While considering and expanding the initial notion proposed by Putnam, Woolcock and Narayan (2000:226) rely on a simple and concise concept: “social capital refers to the norms and networks that enable people to act collectively”. This approach prioritizes the sources of social capital – norms and networks – instead of the consequences – the collective action. Trust and reciprocity are established in an iterative process, defining the institutional environment, and reinforce existing social capital. It should be noted that this definition takes the ‘community’ as the holder of social capital – and not the individual, household or the state, although they may also have private ownership of the benefits or harms of communitarian social capital.

2. Conflicts

A society is composed by a large number of complex combinations of and between people, institutions, and networks of interpersonal relations, where each has its own interests – potentially different and often antagonistic. Each individual has his/her own life goals, desires, needs or wishes; guidelines, inclinations, values and expectations that lead him/her to act in one way rather than another. It can be seen that this set of motivations and formal and informal instructions makes a sort of ‘territorial’ or ‘spacial’ area in which interests included and the person tries to preserve, protect or expand. It is understood that the ‘other’ is an attacker, who attempts or threatens to reduce this ‘comfort area’ represented by interests.

A conflict occurs, then, when these different interests collide.

Then a conflict may be considered, in general, as the existence of inconsistency or discrepancy between “two actors (individuals, groups, organizations or nations) in their interaction over the issues of interests, values, beliefs, emotions, goals, space, positions, scarce resources etc.”(Bhaskaran, 2003). These ‘failures’ or conflicts are products of human action in certain situations or in face of conventions or divergent behaviors.

When working together for the sake of obtaining or achieving a common goal, people tend to have a cooperative behavior. People agree with the objectives and rules, once they make collective efforts to reach for a common good. They can achieve more results derived from cooperation than could get acting isolated; then the product obtained would be, in general, more than the sum of the individual gains.

When the interests are antagonistic, or when they have opposed goals or interests, people tend to establish a confrontational behavior. That is, the conflict arises in situations

when cannot be established a harmonious relationship, once it cannot be determined only one conduction or one consensus suitable to all. Thus, people are unable to obtain the expected results acting in a cooperative way.

In situations where the individual behavior influences the collective outcome (as in the Tragedy of the Commons, in the provision of public goods, in collective action situations, and circumstances related to a 'prisoner's dilemma') it can be reached cooperative or conflicting results. That is, the community may have structural elements leading to a cooperative solution, when individuals cooperate mutually in order to obtain a result which is favorable for all (or the most, at least) or to a conflicting solution, in which the will or desire of one (or a few) overlaps that of all (or others) in an opportunistic behavior.

In any of these situations that concern Putnam, the result rests on the behavior of more than one agent, before a 'backdrop' of rules and dictated by cultural, social, historical, political, and even religious principles. In all these cases, the effect achieved depends on more than one individual, and is the result of social interaction and general conditions in which decisions are made. This idea agrees with Coleman (1988:S96) that states that "[...] person's actions are shaped, redirected, constrained by social context; norms, interpersonal trust, social networks, and social organization are important in the functioning not only of the society but also the economy." The author does not discard the idea of rational choice, but overlaps it to the social structure and institutional organization.

If it is possible to have more than one expected result, it is worth asking why, then, individuals cooperate or collaborate with others? Why are there collaborative or cooperative behaviors for those dilemmas of collective action? Why conflict doesn't take the place of conciliatory solutions in all situations? The big question is not to justify the isolated action, but try to understand why cooperation or non-cooperation (or conflict) occurs in collective actions.

The search for the self-interest is rational or at least understandable: each person seeks for the maximization of his/her personal utility function that determining the direction of his/her decisions. It seems to be a matter of choice or personal values if one will have a collaborative or cooperative behavior. Being inconspicuous, it can be supplanted by the search of a solution focused on self-interest. The non-cooperative strategy, or 'never cooperate', is therefore rational even leading to a sub-optimal results, ie, is a stable equilibrium. People expect that the others will not cooperate, and then adopt an attitude that will not make them have the 'sucker's payoff', because "in the absence of a credible mutual

commitment, however, each individually has an incentive to defect and become a ‘free rider’” (Putnam, 1993:164).

Assuming that it is rational not to cooperate, it is possible to wonder why, even so, people cooperate? We can think about two possible answers: there is a mechanism of external coercion that enforces cooperative behavior, or this cooperative behavior emerges from the people themselves.

In the first case, the existence of cooperation could be imposed by means of established punishments for successive defections: “[...] we should expect the Hobbesian, hierarchical solution to dilemmas of collective action—coercion, exploitation, and dependence [...]. This Hobbesian outcome has at least the virtue that it is attainable by individuals who are unable to trust their neighbors” (Putnam, 1993:177–178). It would be created, under these circumstances, an ‘authoritarian vicious circle’ (Reis, 2003:37), in contrast to an eventual and possible ‘democratic virtuous circle’. Authoritarianism can leave outside any conformation of trusts and force and replace the establishment of cooperative relations between people.

In the second case, Game Theory can risk a few alternatives to explain the existence of cooperation: the small number of ‘players’ or perhaps the fact that they are always the same, or acquaintances, or recommended, or the existence of a plenty of information about the past behavior of each player. The behavior of the agents would be based not only on their own opinions, but also buoyed by the attitudes that would be observable or expected from others. Moreover, the behavior of agents is “[...] not simply reducible to the billiard-ball interaction of individuals nor to the intersection of broad social forces. Institutions influence outcomes because they shape actors’ identities, power and strategies” (Putnam, 1993:7–8). Decisions and behaviors are chosen within the “the rules and standard operating procedures that make up institutions [and] leave their imprint on political outcomes by structuring political behavior”. The decision of cooperating or not cannot be considered a random choice – a game without strategy or a sortition – but is the result of rational behavior.

In actions that are typical attitudes of collective action, general trust gives clues about the behavior of other agents and overt signs of cooperation, influencing the logic of individual maximization. It must be noticed not only the establishment of interpersonal relationships, as well as confidence in the environment and in institutions, that can be called *generalized trust*.

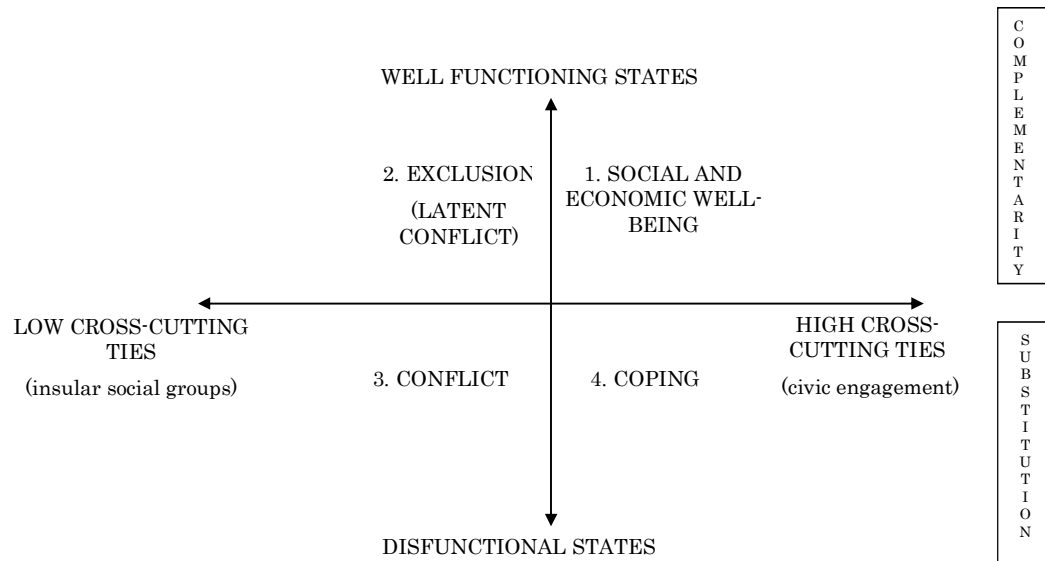
3. Conflicts and social capital

The historical origins of social development – in political and cultural terms, ie, the long-term social organization – determine the capacity of social capital production among individuals. The social integration of population, through adherence to voluntary associational groups, would be the most explicit manifestation of this approach, by allowing collective ownership and socialization of the positive effects of cooperation and democracy, giving rise to the *society-centered approach* of social capital. This is the approach of Putnam (1993) and Fukuyama (1995).

Other authors consider the *institutional-centered approach* of social capital. They consider that social capital is influenced by ‘institutions’, or being associated to the context or the existing political and legal institutions in a society. There would be a ‘favorable climate’ for *generalized trust*. This is what Woolcock and Narayan (2000) call *synergy view* – in this case social capital is the dependent variable and related to the institutional environment that was established in communities, or resulted from the political, legal and economic environmental quality.

Confidence in government allows the expansion of respect for contracts, *rule of law* and correct application of legal sanctions impersonally and indistinctly determined (Rothstein and Stolle, 2007). If there is therefore a ‘good example’ from government; there would be a natural tendency to establish similar relationships between individuals. The logic designed by the authors is that there is a *legal framework* for the establishment of trust relationships: legal determinations are provided by state and legislation is really applied and enforced and any deviations in personal behavior are severely prosecuted and punished. It would be created an environment in which people can believe in generalized trust, combining three essential elements to it: efficiency, fairness and impartiality of institutions.

Narayan (2002) proposes an interesting analytical framework for understanding the social capital, summarized in Figure 1, which represents the two-dimensional nature of this capital: relationship ties established by individuals within groups and governance or behavior of the state.



Source: Narayan (2002).

Figure 1. Relationship between Cross-cutting Ties and Governance

The horizontal dimension in Figure 1 includes the relationship between groups. On one side are there interlocking associations, which make up a situation where the common good is pursued through civic engagement, and on the other side there is a scarce or inexistent relationship between groups that makes potential confrontational possible. This is because the stronger or more powerful groups tend to dominate the social relations that are established.

The vertical dimension includes the functioning of state institutions: political measures; constitutional, legal and regulatory issues; and also some intangibles, such as traditions and conventions. The presence (or absence) of the state and its institutions are fundamental to the delineation of what is called generalized trust. Woolcock (2001:72) therefore considers that social capital should consider not only the relationships between associations, but also institutional aspects related to the state and points out that in societies where the government is “weak, hostile, or indifferent” to the demands of the population, there are deleterious economic effects.³

³ Although Putnam (1993:89) does not contemplate the institutional dimension, the author does not disregard their blessings because “even seemingly “self-interested” transactions take on a different character when they are embedded in social networks that foster mutual trust [...]”.

The horizontal dimension regards the relationship between groups, considering the high or low ties between them or the *cross-cutting ties*. High level of *cross-cutting ties* represents the *civic engagement* of Putnam, and low level represents the existence of isolated and independent groups, with no close relationship between them. The vertical dimension of Figure 1 expresses the expected behavior of state, which varies between the good functioning of public institutions to fragmented or weak states. The author brings together in this Figure the *society-centered approach* and the *institutional-centered approach* creating an interesting analytical framework, which enables the analysis under four possible situations possible represented by the four Quadrants. It is possible to consider that the economic results depend on the complementarity or substitution relations between civil society and the state. However, before using this framework as the basis for the analysis in this paper, we need to deepen a little bit this comprehension.

According to Narayan (2002), the ‘Social and Economic Well-being’ (Quadrant 1 in Figure 1) would be the result of, the virtuous relationship between the functioning of social and economic institutions and the power of the state in order to guarantee civil rights to its population. In complementary relationship, state and civil society gather together the necessary requirements to ensure the social and institutional environment necessary to promote social and economic conditions appropriate to the population.

The ‘Exclusion’ (Quadrant 2 of Figure 1) occurs in societies where state institutions are strengthened, but there is great heterogeneity between groups, and one (or few of them) has a dominant position over the others. As a consequence, although the existence of the state it would represent only the interest of this/these group(s). In situations like this, consider Narayan (2002), the conflict is latent.

In societies where there is social fragmentation and the presence of a weak state, which does not endorse equality between people, “Conflict” is imminent (third Quadrant of Figure 1). In this scenario, the sum of institutional weakness driven by the anemic state in the absence of inter-relationships between groups leads to a result that depauperate the conditions of economic welfare. These potential conflicts would be caused not only by instances of exclusion, but also by the coexistence of heterogeneous and isolated groups, which impose their wishes (and then a minority managers or rules the majority) *pari passu* with a failed or weak state whose institutions cannot provide the legal support or restore order to its citizens.

The lack of recognized mechanisms of social control opens space, in such a inharmonious environment, to the emergence of isolated and powerful groups who control

and replace the civil guarantees, as well as the political and economic conditions that should be provided by the state. It takes place in these societies spurious trusts, typical of organized crime, based on patronage and the promise of protection against violence and/or force. For Rothstein and Stolle (2007), in these groups or communities there is the creation of trust relationships between agents maintained by fear, repression or threats. This 'protocooperation' appears in the face of weaknesses or gaps in formal structures and institutions of the state, in administrative and/or criminal spaces, in which the authority or respect, or even recognition, has been undermined, depleted or delegitimized.⁴

Low social capital under the conditions described in the third Quadrant, would be manifested by the existence of extra-legal groups: "and power and authority are taken over by 'warlords', the mafia, guerrilla movements and other groups which use guns, violence and coercion" (Narayan, 2002) living together with "rich communities behind high security fences" (p.29).⁵

Finally, the fourth Quadrant of Narayan (2002:17) is labeled "Coping". It can be understood as a situation where, despite a weak state, there is great social integration, which arises as a substitute to this poor presence by creating or strengthening mechanisms for replacing formal institutions: "these include informal credit, informal contractual arrangements, increased informal activities and selfemployment, barter and "gray" economies, [...]."

In locations described in this Quadrant 4, society seems an 'hourglass': there are abundant interrelated groups that establish a substitution relationship with a poor state. There is no trust or recognition of state authority for the provision of civil and economic guarantees. Groups provide the access to some public services that would be otherwise offered by state. Narayan (2002) mention that inhabitants of poor countries develop their own strategies for survival, regardless of state action. Another recurring example is the case of the former socialist republics: Iyer et al. (2005) even mention that "a hundred friends are worth more than a hundred rubles", when referring to the importance of groups for Russian population nowadays. These organizations served to supply the population of goods or services that the state was not able to deliver.

⁴ The authors stress also that corruption also requires the establishment of trust, since passive bribery is so perverse and reprehensible as active one. By establishing this relationship of 'trust', each of the sides involved (corrupt and corruptor) are bind to the other.

⁵ The author cites as examples of communities with such characteristics Haiti, Colombia and especially fragmented regions of India.

4. Methodology and data sources

We selected existing and available databases which consider or include Latin American countries. The *cross-section* data derive from secondary sources, collected or compiled by institutions with credibility and reputation – and a minimum of analytical bias. The databases were suggested by Knack (1999) and also by Aron (2000), and are widely used as a data source for the analysis of social capital, institutions, economic development and the relationships between its various components. We investigated ten different databases searching for data that can characterize the two dimensions analytical framework proposed by Narayan (2002).

The variables that characterize social capital allow the understanding of the country's social structure. They include indicators that reflect interpersonal trust, because it is a powerful mechanism, in theory, to enable or foster social interaction. Important to know not only the participation but also the 'sense of belonging' to one or more groups and to what extent the individual is recognized as part of a whole or different from others. The selected variables can characterize the social structure of the country, describing the extent to which there is fragmentation or isolation of different 'groups' and the existence of informal mechanisms that allow or prevent these interaction. For this characterization data and databases are:

- 1) World Values Survey Association (2010): variables that represent social trust (in general terms and in specific groups), associative participation, and perception and acceptance of inequality.
- 2) Latinobarómetro (2009): data that represent social and institutional trust, and the interest, knowledge and participation in associative activities.
- 3) Freedom House (2010): it was considered some of the analytical dimensions proposed by the Institution once the research conducted is much broader. It was chosen variables that indicate access to civil liberties – “freedom of expression and belief” and “associational and organizational rights” as well as “personal autonomy and individual rights”.
- 4) Political Risk Services (2009): as representative of the social structure and social capital it was considered two dimensions of political risk variables that comprise the 'religious tensions' and 'ethnic tensions'.

With regard to governance mentioned by Narayan (2002), we consider the ideas of North (1990) about institutional aspects: access measures or guarantee of property rights, behavior and quality of the bureaucratic structure and the existence and maintenance of political and civil liberties. We selected the following data and databases:

- 1) Freedom House (2010): the variable that summarizes the access to 'political rights', in broad sense, involving all indicators calculated by the Institution and the indicator of *rule of law*.
- 2) All governance indicators calculated by World Bank (2009).
- 3) Political Risk Services (2009): we consider the political dimension of International Country Risk Guide (ICRG), excepting the two variables already mentioned that represent social capital. The economic and financial dimensions of ICRG are not considered between the explanatory variables because they are based on broad macroeconomics data.
- 4) Corruption Perception Index, calculated by Transparency International (2010).
- 5) 'Doing Business' Index, calculated by the World Bank and International Finance Corporation (2009).
- 6) The 'Global Competitiveness Index', computed by World Economic Forum (2010).
- 7) Indexes of Economic Freedom as stated by Heritage Foundation (2009).
- 8) Economic Freedom of the World Index, calculated by Economic Freedom Network and Fraser Institute (2009).

The variable that represents economic growth is *Gross Domestic Product* or GDP *per capita* (PPP) of 2007, expressed in U.S. currency. The data are calculated and provided by the World Bank (2009), in a large database called 'World Development Indicators'. Economic development is summarized in the Human Development Index (HDI), calculated by the United Nations Development Programme – UNDP (2009), based on 2007 data.

The focus of this research is the analysis of correlations between variables representing social capital and governance in order to try to understand the potential for conflict in Latin American countries, based on two dimensions stated in Figure 1, reproduced from Narayan (2002).

It was necessary to reduce the amount of variables that represent social capital, since the World Values Survey (2010) and Latinobarómetro (2009) databases present a large volume of information of different natures. For this purpose, it was used one methodology for reducing the number of variables known as *factorial analysis*, which comprises a statistical method of multivariate analysis. The methodology allows the synthesis of information, though the observation of patterns of regularity in data behavior. A few factors were obtained and represent social capital and factor scores were calculated and subjected to correlation analysis.

Unlike regression, in correlation analysis there is no dissociation between dependent or independent variables, because both are treated as 'symmetric', and there is no relationship of dependency. Thus there is no potential 'explanation' or one variable explained by the other. It should also be noted that the correlation does not indicate 'cause and effect', only that there is something in the behavior of a variable related to the behavior of another.

Factor scores that represent social capital conditions and variables that represent institutional conditions were subjected to regression analysis and the obtained results are discussed below.

5. Results and final considerations

From quantitative analysis were obtained two important assumptions. One is that there is low correlation between social capital variables and economic development and growth in Latin America. On the other hand there are correlations between institutional conditions and the HDI and GDP *per capita*: political and civil liberties, enforcement of property rights, responsibility and stability of political conditions, judicial independence and *rule of law*, quality of the bureaucratic structure and lack of corruption.

We need to highlight the behavior of one variable that represents social capital in particular. Among the thirteen attributes of social capital there are features of trust, association, freedom of expression and association, and lack of religious or ethnic tensions. The most representative of all the variables that represent social capital, however, is the one that summarize individual and not communitarian values. Thus, the factor that summarizes 'access to personal autonomy and individual rights' has statistically significant correlations with economic growth and development variables.

How to explain this interesting behavior of Latin America?

One possible explanation for this behavior is supported by the words of Putnam. For this author, the fragility of trust and associational relationships are typical of developing countries and in these locations “[...] it is easier to road than to build an organization to maintain that road” (Israel 1987)⁶. Agree with this position Woolcock and Narayan (2000:237), which point out that Latin America has low levels of *bridgind ties* that characterize social capital, ie ties that enable the relationship between individuals of different groups. Each person is restricted to the own group itself, without worrying about the others; seek for the satisfaction of personal interests and not communitarian or collective ones.

It is not observed in Latin America a great affinity between different groups and social strata, which characterizes the *civic community* of Putnam. It noticeable the existence of distrust – the lowest levels of interpersonal trust between democratic countries of Europe and America (Rennó, 2001)⁷ – and low political and associational involvement and participation. Thus, the lack of trust in Latin America, may explain part of the lack of dynamism in terms of economic growth and development. Sorj and Martuccelli (2008:15) venture an explanation: “while in other countries the institutionalization of collective action was regarded as an essential element of democratization, this process in Latin America – constantly stunted by the states’ phagocytic tendency to limit autonomy and absorb social actors – was more a pattern of promise followed by betrayal.” Successive authoritarian and undemocratic regimes in Latin America, as well as the economic behavior of the state limiting privileges for a few, shaped the behavior of agents. Without trusting in others or without even knowing if they can do so and despite of the government’s action the individualism is identified as a characteristic of Latin America.

The absence of tensions that mark a society disjointed and unstable is not enough to generate confidence and engagement to the collective of Latin Americans. Instead of trusting in individuals, or in the absence of an “informal insurance” represented by social capital, the process of decision-making seeks support in institutional conditions. The coercive power of the state becomes a substitute for voluntary cooperation.

Given these findings it can be risked the classification of Latin America in Quadrant 2 of Figure 1, as Narayan proposed. This *locus* is called of ‘Exclusion’ and represents societies

⁶ This author is “a specialist in Third World development”, as stressed by Putnam (1993:25); Israel, Arturo. 1987. *Institutional development: incentives to performance*. Baltimore: John Hopkins University Press.

⁷ Citing data from Latinobarómetro Association, referring to the *survey wave* conducted in 1996, in which two-thirds of respondents of Latin America stated that they do not trust their fellow citizens.

where conflict is 'latent' because coexists strong institutions and great heterogeneity among social groups.

One possible scenario, under these conditions is the existence of privileged relations among different groups. Those individuals belonging to groups 'in power' or with differential access to products and/or services over others can strengthen mechanisms that prevent or hinder access to the minimum conditions of citizenship for all. This would be a kind of 'perverse' social capital, once it deals with 'exclusive' groups. Thus social fragmentation driven by the isolation between the groups would be the one possible explanation to political and economic problems.

Another natural consequence would be the emergence of a reckless atmosphere in which groups seek political representation in isolation (eg the personalist mentions to 'My Senator', or 'my congressman'), or relationships with individuals in high spheres of power (that motivates behaviors as 'do you know who you're talking to?'). You can also think in other situations related to the context inherent to second Quadrant, which are the 'amoral familism' and the establishment of clientelistic relationships between groups.

After finding one perverse process of emptying social, communitarian, and solidarity values in the countries of Latin America, Sorj and Martuccelli (2008:12) emphasize that, in lieu of them, it arises state regulation through its institutions: "and this is perhaps at the heart of the drama of contemporary Latin American societies: insofar as the social sphere, [...] is no longer sustained through social ties of dependence, favoritism, paternalism, and hierarchy, the state must increasingly assume the role of guarantor of the social pact among free and equal citizens, by means of law enforcement and social protection measures". The classification proposed by this research is supported, then, by the analysis of these authors. In the absence of interpersonal trust or social capital, the role of institutions is overweighted in order to support economic transactions that occur in impersonal and complex scenarios. This explains the latency of the conflict in Latin America, since individualism seeks support in the formal conditions of institutions as if a substitute for trust.

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